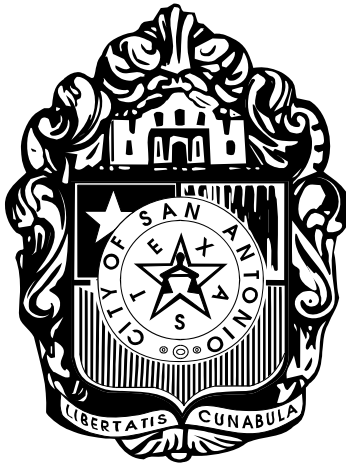


**CITY OF SAN ANTONIO, TEXAS**

**DEPARTMENT OF FINANCE**



**REQUEST FOR QUALIFICATIONS**

**TO PROVIDE**

**BROKER/DEALER SERVICES**

**Issued: June 21, 2010**

**Due: July 21, 2010**

## **I. BACKGROUND**

The City of San Antonio, Texas (the "City") executes security buy and sell transactions through an Approved List of Broker/Dealer Firms. Transactions are executed on a competitive basis. All investments are made in accordance with the City's Investment Policy ("Policy") (See Investment Policy, Attachment 7, attached herein) and Chapter 2256 as amended, Texas Government Code, the Texas Public Funds Investment Act (the "Act"). Authorized investments are defined in the Policy.

Broker/Dealer Firms that wish to be included on the City's Approved List of Broker/Dealer Firms shall provide their Statement of Qualifications through this Request for Qualifications ("RFQ") which addresses the City's due diligence questions and requirements. The Statement of Qualifications will be reviewed by the City's Investment Officers and an Approved List of Broker/Dealer Firms will be presented to the City's Investment Committee for approval. Although a Broker/Dealer Firm may be included on the Approved List of Broker/Dealer Firms, the City is under no obligation to conduct business or execute any investment transaction with such Broker/Dealer Firm.

It is the City's intent to select approximately twelve (12) Broker/Dealer Firms which shall be utilized on a rotational basis. The City is not bound to utilize this exact number and may increase or decrease the number of Broker/Dealer Firms utilized as needed.

## **II. SCOPE OF SERVICES**

The City, through its Investment Officers, shall attempt to provide opportunities to the Approved List of Broker/Dealer Firms for security buy and sell transactions. The City will obtain at least three quotes on secondary market investment transactions on a rotating basis. Broker/Dealer Firms must demonstrate extensive fixed income and money market experience, and experience with governmental entities and their requirements. ALL TRANSACTIONS WITH THE CITY WILL BE SETTLED ON A DELIVERY VERSUS PAYMENT BASIS INTO THE CITY'S DESIGNATED DEPOSITORY.

Broker/Dealer Firms are required to review and certify to the Policy in compliance with the Act. (See Investment Policy Certification, Attachment 5 attached herein.) This Investment Policy Certification must not be edited in any way and must be submitted to the City in order to be considered for its Approved List of Broker/Dealer Firms.

## **III. TERM**

It is anticipated that the Approved List of Broker/Dealer Firms providing services to the City through this RFQ process shall become effective on or about October 1, 2010, and shall be in effect through September 30, 2012.

#### **IV. ANNUAL REVIEW**

In compliance with the Act, the City reviews its Approved List of Broker/Dealer Firms annually. The review will encompass value received and transactions executed with each firm. Any Broker/Dealer Firm may be removed from the Approved List of Broker/Dealer Firms, without notice, by the City's Investment Committee, at its sole and unfettered discretion.

#### **V. REQUIREMENTS CHECKLIST**

Use this checklist to ensure that all required documents have been included in the Firm's Statement of Qualifications and appear in the correct order.

<b>Document</b>	
Statement of Qualifications	Attachment 1
*Discretionary Contracts Disclosure	Attachment 2
Litigation Disclosure	Attachment 3
*Small Business Economic Development Advocacy Program Policy and Good Faith Effort Plan Form	Attachment 4
*Investment Policy Certification	Attachment 5
*Signature Page	Attachment 6
Financial Information	Current Statement

*\*Documents marked with an asterisk on this checklist require a signature. Be sure they are signed prior to submittal of proposal. FAILURE TO COMPLETE AND PROVIDE ANY OF THESE DOCUMENTS MAY DISQUALIFY THE FIRM FROM CONSIDERATION.*

#### **VI. AMENDMENTS TO RFQ**

Changes, amendments, or written responses to questions received regarding this RFQ will be posted only on the City's website at <http://epay.sanantonio.gov/RFPListings/>. It is the responsibility of the Broker/Dealer Firm to review this site and ascertain whether any amendments have been made prior to submission of a Statement of Qualifications.

#### **VII. SUBMISSION OF RFQ STATEMENT OF QUALIFICATIONS**

- A. The City specifically requests that all responses shall be limited to the information requested. Each Broker/Dealer Firm's Statement of Qualifications shall be limited to a maximum of ten (10) pages, exclusive of the required attachments, and must be stapled. Please do not submit spiral bound, GBC bound, or three-ring binders, nor printed brochures, pamphlets or informational items. Failure to submit the requested information as required may result in Broker/Dealer Firm being deemed non-responsive and therefore disqualified from consideration.

- B. Submit one (1) original, clearly labeled “Original”, signed in ink, and six (6) copies of the Statement of Qualifications including each attachment found in the RFQ, in a sealed package, clearly marked on the front of the package “Broker/Dealer Services RFQ.” All Statements of Qualifications must be received in the City Clerk’s Office no later than 2:00 p.m., Central Time, July 21, 2010, at the address below. Proposals submitted prior to the above time and date may be modified provided such modifications are sealed and received by the City Clerk’s Office prior to the time and date set for submission proposals. Any Statement of Qualifications or modification received after this time shall not be considered. Statement of Qualifications sent by facsimile or email will not be accepted.

Mailing Address:

City of San Antonio, Attention: Finance Department  
City Clerk’s Office  
P.O. Box 839966  
San Antonio, Texas 78283-3966

Physical Address:

City of San Antonio, Attention: Finance Department  
City Clerk’s Office  
100 Military Plaza  
2<sup>nd</sup> Floor, City Hall  
San Antonio, Texas 78205

- C. Broker/Dealer Firms shall submit full and accurate information in response to this RFQ.

If a Broker/Dealer Firm is found to have incorrectly or incompletely stated any information, the Chief Financial Officer shall have the discretion, at any point, to suspend consideration of the Statement of Qualifications.

- D. All Statements of Qualifications, once received, shall become the property of the City and will not be returned. Any information deemed to be proprietary or confidential by a Broker/Dealer should be clearly noted on the page or pages where such information is contained. However, the City cannot guarantee that such information will be kept from public disclosure; as such, information submitted by any Broker/Dealer Firm may not be recognized as proprietary or confidential under applicable Texas law.

## **VIII. RESTRICTIONS ON COMMUNICATION**

Broker/Dealer Firms are prohibited from communicating with any officer or employee of the City (including, but not limited to, City Council Members and their respective staffs), other than the City’s authorized contact person identified below regarding the Statement of Qualifications from the time the RFQ has been released until a recommended list of Broker/Dealer Firms has been approved by the City’s Investment Committee. Broker/Dealer Firms may communicate with officers or employees of the City from the time the RFQ has been released for the purpose of conducting normal City business on matters not related to or involving this RFQ process.

- A. Any questions regarding this RFQ shall be submitted via e-mail only to Ms. Debra Reyes, Contract Coordinator at the following email address: Debra.Reyes@sanantonio.gov. Questions must be received by 2:00 p.m., Central Time, on Friday, July 2, 2010. Questions received after that time will not be answered.
- B. Broker/Dealer Firms and/or their agents may contact the Small Business Outreach Office of the Economic Development Department for assistance or clarification with issues specifically related to the City's Small Business Economic Development Advocacy Program policy and/or completion of the *Good Faith Effort Plan* form. The point of contact is Ms. Grace Luna. Ms. Luna may be reached by telephone at (210) 207-3910 or by e-mail at Grace.Luna@sanantonio.gov. Contacting her or her office regarding this RFQ after the due date is not permitted.
- C. The City reserves the right to contact any Broker/Dealer Firm for clarification after responses are opened.

## **IX. EVALUATION CRITERIA**

The City shall conduct a comprehensive, fair, and impartial evaluation of all Statements of Qualifications, and each will be analyzed to determine overall responsiveness and qualifications. The City may also request additional information at any time prior to final approval of the recommended list of Broker/Dealer Firms. Final approval of the recommended list of Broker/Dealer Firms is subject to approval by the City's Investment Committee.

Evaluation criteria:

- A. Experience, Background, Qualifications (35%)
- B. Broker Dealer Services (45%)
- C. Small Business Economic Development Advocacy Program (SBEDA) (20%):
  - 1. A maximum of ten percentage (10) points for Local Business Enterprises (LBEs).
 

Prime contractors who have a local branch office will receive six percent (6%) of the selection points.

Non-local prime contractors can receive points for subcontracting with local businesses proportional to the amount of work performed by those local subcontractors (i.e., – 50% to local = 5 points).
  - 2. A maximum of five percentage (5%) points for companies designated as Historically Underutilized Enterprises (HUEs).
 

Prime contractors who subcontract with HUEs can receive points proportional to amount of work performed by those HUEs (i.e. – 50% to HUEs = 2.5 points).

S/MBEs and/or S/WBEs must be certified by the South Central Texas Regional Certification Agency or approved by the Director of Economic Development or designee to be considered HUEs.

3. A maximum of five percentage (5%) points for Prime Contractor compliance with the SBEDA Program policy:
  - i. One percent (1%) for submission/approval of the *Good Faith Effort Plan Attachment 4*.
  - ii. One percent (1%) for meeting/exceeding the MBE goal.
  - iii. One percent (1%) for meeting/exceeding the WBE goal.
  - iv. One percent (1%) for meeting/exceeding the AABE goal.
  - v. One percent (1%) for meeting/exceeding the SBE goal.

## **X. RESERVATION OF RIGHTS**

- A. No action on the part of the City or a Broker/Dealer Firm shall constitute a contractual arrangement to continue to do business and/or execute transactions with any Broker/Dealer Firm. If for any reason the City determines in its sole, unfettered discretion that a Broker/Dealer Firm's status has adversely changed, in that it has failed to, or cannot in the future, adequately perform or fulfill, in a timely and proper manner, its obligations to execute security transactions, the City shall have the right to discontinue utilizing such Broker/Dealer Firm without notice.
- B. The City may accept any Statement of Qualifications in whole or in part. The final recommended list of Broker/Dealer Firms is subject to approval by the City's Investment Committee.
- C. The City reserves the right to reject any or all Statements of Qualifications received in response to this RFQ, and to waive informalities and irregularities in any Statement of Qualifications. The City also reserves the right to terminate this RFQ, and to reissue a subsequent solicitation, and/or remedy technical errors in the RFQ process.
- D. The City will not reimburse any Broker/Dealer Firm for any costs, fees, or expenses incurred in preparing or submitting its Statement of Qualification in response to this RFQ.
- E. Conflicts of Interest. Broker/Dealer Firm acknowledges that it is informed that the Charter of the City of San Antonio and its Ethics Code prohibit a City officer or employee, as those terms are defined in the Ethics Code, from having a financial interest in any contract with the City or any City agency such as City-owned utilities. An officer or employee has a "prohibited financial interest" in a contract with the City or in the sale to the City of land materials, supplies or service, if any of the following individual(s) or entities is a party to the contract or sale: the City officer or employee; his parent, child or spouse; a business entity in which he or his parent, child or spouse owns ten (10) percent or more of the voting stock or shares of the business entity, or ten (10) percent or more of the fair market value of the business entity; or a business entity in which any individual or entity above listed is a subcontractor on a City contract, a partner or a parent or subsidiary business entity.

Broker/Dealer Firm is required to warrant and certify that it, its officers, employees, and agents are neither officials nor employees of the City, as defined in Section 2-42 of the City's Ethics Code. (See Discretionary Contracts Disclosure, Attachment 2 attached herein.)

- F. Effective January 1, 2006, Chapter 176 of the Texas Local Government Code requires that persons, or their agents, who seek to contract for the sale or purchase of property, goods, or services with the City, shall file a completed conflict of interest questionnaire with the City Clerk not later than the 7th business day after the date the person: (1) begins contract discussions or negotiations with the City; or (2) submits to the City an application, response to a request for proposals or bids, correspondence, or another writing related to a potential agreement with the City. The conflict of interest questionnaire form is available from the Texas Ethics Commission at [www.ethics.state.tx.us](http://www.ethics.state.tx.us). Completed conflict of interest questionnaires may be mailed or delivered by hand to the Office of the City Clerk, if mailing a completed conflict of interest questionnaire, mail to Office of the City Clerk, P.O. Box 839966, San Antonio, TX 78283-3966. If delivering a completed conflict of interest questionnaire, deliver to: Office of the City Clerk, City Hall, 2nd floor, 100 Military Plaza, San Antonio, TX 78205. Respondent should consult its own legal advisor with questions regarding the statute or form

## **XI. REVIEW SCHEDULE**

Following is a list of **anticipated dates/times** with respect to this RFQ:

RFQ Issue Date	Monday, June 21, 2010
Question and Answer Period Begins	Monday, June 21, 2010
Deadline for Questions	2:00 p.m., Friday, July 2, 2010
Deadline for Statements of Qualifications	2:00 p.m., Wednesday, July 21, 2010
Effective Date of Broker/Dealer Selection	Friday, October 1, 2010

# **ATTACHMENT 1**

## **STATEMENT OF QUALIFICATIONS**

Submit responses to the questions restating the question with the response.

1. Broker/Dealer Firm Information:

Broker/Dealer Firm Name: \_\_\_\_\_

Firm's CRD Number: \_\_\_\_\_

Primary Day-to-Day Representative: \_\_\_\_\_

CRD Number: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip code: \_\_\_\_\_

Telephone No. \_\_\_\_\_ Fax No: \_\_\_\_\_

Email: \_\_\_\_\_

Secondary Day-to-Day Representative: \_\_\_\_\_

CRD Number: \_\_\_\_\_

Telephone No. \_\_\_\_\_ Fax No: \_\_\_\_\_

Email: \_\_\_\_\_

2. Provide the name and telephone number of the Broker/Dealer Firm's branch manager.
3. Is Broker/Dealer Firm registered with the Texas State Securities Board?
4. Where is Broker/Dealer Firm's corporate headquarters located?
  - A. Does Broker/Dealer Firm have an office(s) located in San Antonio, Texas or Bexar County?
  - B. If the answer to the previous question is "yes," how long has Broker/Dealer Firm conducted business from this office(s)?
  - C. State the number of full-time employees at the San Antonio or Bexar County office(s).
5. Describe any significant changes that have occurred within the Broker/Dealer Firm over the last six months regarding organizational structure or registrations.
6. Indicate which of the following categories best describes the Broker/Dealer Firm: Additionally, please provide a copy of Broker/Dealer Firm's FOCUS report, or equivalent, to confirm the Broker/Dealer Firm's category selection.
  - ☐ Capital greater than \$500 million
  - ☐ Capital greater than \$20 million but less than \$500 million
  - ☐ Capital less than \$20 million
7. State the number of years Broker/Dealer Firm has provided Broker/Dealer services.
8. State the number of years the primary day-to-day representative has been in the Broker/Dealer industry.
9. Provide brief résumés of the primary representative who will serve as day-to-day contact and secondary representative.



10. Describe Broker/Dealer Firm's customer service policies specifically related to governmental entities.
11. Provide three (3) references from public entities in Texas for whom Broker/Dealer Firm currently provides Broker/Dealer services. Include the entity's name, contact person, and telephone number.
12. Is the Broker/Dealer Firm a primary dealer as designated by the Federal Reserve Bank of New York?
13. Is the Broker/Dealer Firm a dealer, i.e., do you maintain an inventory? If so, which market sectors?
14. Indicate the primary market sectors in which the primary representative transact business:

	Representative
Treasuries	_____
Agencies	_____
Commercial Paper	_____

15. List all the agency selling groups for which the Broker/Dealer Firm is a member (i.e. Fannie Mae, Freddie Mac, etc.).
16. In detail, describe the Broker/Dealer Firm's secondary market trading and process for offering secondary market securities. Additionally, indicate which of the following statements applies:
  - ☐ Secondary market search is limited to Broker/Dealer Firm's internal inventory.
  - ☐ Secondary market search is limited to Broker/Dealer Firm's internal inventory and the inventory of one (1) other Broker/Dealer Firm.
  - ☐ Secondary market search is limited to Broker/Dealer Firm's internal inventory and the inventory of more than one (1) but no more than five (5) other Broker/Dealer Firms.
  - ☐ Secondary market search is limited to Broker/Dealer Firm's internal inventory and the inventory of more than five (5) other Broker/Dealer Firms.
17. Indicate the volume by par amount of U.S. Treasury and Agency trades executed by Broker/Dealer Firm per year.
  - ☐ Greater than \$50 billion
  - ☐ Greater than \$1 billion but less than \$50 billion
  - ☐ Less than \$1 billion
18. What is the minimum dollar value trade that Broker/Dealer Firm will process?
19. What is the minimum maturity in number of days that Broker/Dealer Firm will process?
20. Provide samples of research reports or other market information Broker/Dealer Firm provides to clients as well as how often the reports are provided.
21. Does Broker/Dealer Firm offer any complimentary investment training and/or webinars to its clients?
22. Does Broker/Dealer Firm allow clients access to its website for market and economic information? What other information is available on the Firm's website?
23. Is Broker/Dealer Firm able to conduct electronic transactions on Bloomberg? If so, are there any requirements for the City to do so?

## **ATTACHMENT 2**

### **Discretionary Contracts Disclosure**

The Discretionary Contracts Disclosure Form is posted as a separate document. Please complete Attachment 2 and submit with your submittal package.

The Discretionary Contracts Disclosure Form is posted and may be downloaded at <https://www.sanantonio.gov/eforms/atty/DiscretionaryContractsDisclosure.pdf>.

The instructions for completing the Discretionary Contracts Disclosure form are listed below:

1. Download form.
2. Complete all fields on the form.
3. Click on the Print icon.
4. Place the original form in the proposal response.

## **ATTACHMENT 3**

### **LITIGATION DISCLOSURE**

**Respond to each of the questions below by checking the appropriate box. Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.**

1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Yes ☐ No ☐

2. Have you or any member of your Firm or Team to be assigned to this engagement been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Yes ☐ No ☐

3. Have you or any member of your Firm or Team to be assigned to this engagement been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Yes ☐ No ☐

**If you have answered “Yes” to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.**

## **ATTACHMENT 4**

### **SMALL BUSINESS ECONOMIC DEVELOPMENT ADVOCACY PROGRAM POLICY AND GOOD FAITH EFFORT PLAN FORM**

#### **SMALL BUSINESS PROGRAM**

1. **Small Business Participation**

Pursuant to Ordinance No. 2007-04-12-0396, it is the policy of the City of San Antonio to involve Small, Minority, Women and African-American Owned Business Enterprises (S/M/W/AABE) to the greatest extent feasible in the City's discretionary contracts. The intent and purpose of the policy is to ensure that S/M/W/AABE firms have the opportunity to compete for City contracts without discrimination on the basis of race, color, religion, national origin, age, sex or handicap. To accomplish the objectives of the Small Business policy, the City has established specific goals for local S/M/W/AABE participation in this contract.

2. **DEFINITIONS** related to the Small Business Program Provisions:

- a. **Small Business Program:** the Small Business Economic Development Advocacy ("SBEDA") Program governed by this ordinance and managed by the SMALL BUSINESS Program Office.
- b. **Small Business Enterprises (SBE):** a corporation, partnership, sole proprietorship or other legal entity, for the purpose of making a profit, which is independently owned and operated and which meets the U.S. Small Business Administration (SBA) size standard for a small business. All firms meeting these thresholds will be considered an SBE.
- c. **Local Business Enterprise (LBE):** a corporation, partnership, sole proprietorship, or other legal entity which is headquartered within Bexar County for at least one year. For a branch office of a non-headquartered business to qualify as an LBE, the branch office must be located in Bexar County for at least one-year and employ a minimum of ten (10) residents of Bexar County for use at the local branch office.
- d. **Minority Business Enterprise (MBE):** a sole proprietorship, partnership, or corporation owned, operated, and controlled by a minority group member(s) who has at least 51% ownership. Minority group member(s) include African-Americans; Hispanic Americans; Asian-Pacific Americans; Asian-Indian Americans; American Indians; and Disabled Individuals. The minority group member(s) must have operational and managerial control, interest in capital, expertise and earnings commensurate with the percentage of ownership and be legal residents or citizens of the United States or its territories. To qualify as an MBE, the enterprise shall be headquartered in Bexar County or the San Antonio Metropolitan Statistical Area (the SAMSA) for any length of time, or shall be doing business in a locality or localities from which the City regularly solicits, or receives bids on or proposals for, City contracts within the MBE's category of contracting for at least one year.
- e. **Woman Business Enterprise (WBE):** a sole proprietorship, partnership, or corporation owned, operated and controlled by women who have at least 51% ownership. The woman or women must have operational and managerial control, interest in capital, expertise and

earnings commensurate with the percentage of ownership and be legal residents or citizens of the United States or its territories. To qualify as a WBE, the enterprise shall be headquartered in Bexar County or the SAMSA for any length of time or shall be doing business in a locality or localities from which the City regularly solicits or receives bids on or proposals for, City contracts within the WBE's category of contracting for at least one year.

- f. **African-American Business Enterprise (AABE)**: a sole proprietorship, partnership, or corporation owned, operated and controlled by an African-American group member(s) who has at least 51% ownership. The African American Group member(s) must have operational and managerial control, interest in capital, expertise and earnings commensurate with the percentage of ownership and be legal residents or citizens of the United States or its territories. To qualify as an AABE, the enterprise shall be headquartered in Bexar County or the SAMSA for any length of time or shall be doing business in a locality or localities from which the City regularly solicits, or receives bids on or proposals for, City contracts within the AABE's category of contracting for at least one year.

### 3. **Goals for Small Business Participation**

The goals for the utilization and participation of SBE-MBE-WBE-AABE businesses on this contract are as follows:

<b>MBE</b>	<b>31%</b>
<b>WBE</b>	<b>10%</b>
<b>AABE</b>	<b>2.2%</b>
<b>SBE</b>	<b>50%</b>

Please note that a small business could be classified in multiple categories and thus their utilization could in theory be counted in each category of goals. For example, **Prime Contractor X** submits a proposal, which specifies that they intend to subcontract with Subcontractor A for 10% of the contract. Subcontractor A is certified by the City as an SBE and MBE (a male-owned Hispanic Business owner can be certified as an SBE and MBE). **Prime Contractor X** also intends to subcontract with Subcontractor B for 13% of the contract. Subcontractor B is certified by the City as SBE, MBE and a WBE (a female-owned Hispanic Business owner can be certified as SBE, MBE and WBE). In addition, **Prime Contractor X** also intends to subcontract 10% of the contract to Subcontractor C - a City certified SBE, MBE and AABE (a male-owned African-American business owner can be certified as both a MBE and as an AABE Business). **Prime Contractor X** is also classified as a local SBE. **Prime Contractor X's** compliance with the Small Business goals under this scenario would be as follows:

	City's Small Business Goals	Prime Contractor X's Compliance
MBE	31%	33%
WBE	10%	13%
AABE	2.2%	10%
SBE	50%	100%

Under this scenario, the contractor would be in full compliance with the Small Business policy.

Another example regarding compliance with the policy is as follows: **Prime Contractor Y** submits a proposal, which specifies that they intend to partner through a joint-venture agreement with Company D. Company D is certified by the City as both an SBE and MBE (a male-owned Hispanic Business - certified as an SBE and MBE). As part of their joint-venture agreement, Company D will perform on 32.5% of the contract. **Prime Contractor Y** also intends to subcontract 13% of the contract with Subcontractor F. Subcontractor F is a City certified SBE/MBE/WBE and AABE business. **Prime Contractor Y** is also classified as a local SBE. **Prime Contractor Y** compliance with the Small Business goals would be as follows:

	City's Small Business Goals	Prime Contractor Y's Compliance
MBE	31%	45.5%
WBE	10%	13%
AABE	2.2%	13%
SBE	50%	100%

Under this scenario, the contractor would be in full compliance with the Small Business policy.

#### **4. Good Faith Effort Required**

Proposals shall include a Good Faith Effort Plan (GFEP - ATTACHED). The GFEP shall include specific documentation to utilize local, small, MBE-WBE-AABE businesses in a percentage, which equals or exceeds the above goals. **Any proposal that does not include the GFEP form shall be declared non-responsive, and excluded from consideration.**

#### **5. SBE-MBE-WBE-AABE Certification Required**

Only companies certified as SBE, MBE, WBE, or AABE through the South Central Texas Regional Certification Agency (SCTRCA), or as approved by the City of San Antonio Director of Economic Development, can be applied towards the contracting goals. Proof of certification must be submitted.

#### **6. Small Business Program Information**

Interested contractors/proposers are encouraged to contact the Small Business Outreach Office for information regarding the City's Small Business Program Policy in accordance with the City's Communication Policy outlined in the solicitation document. Please call (210) 207-3900 or FAX: (210) 207-8151.

# GOOD FAITH EFFORT PLAN

(Page 1 of 4)

**NAME OF  
PROJECT:** \_\_\_\_\_

**BIDDER/PROPOSER INFORMATION:**

Name of Bidder/Proposer: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

Is your firm certified? \_\_\_\_ Yes \_\_\_\_ No (If yes, please submit Certification Certificate.)

1. List all subcontractors/suppliers that will be used for this contract. (Indicate all MBEs-WBEs-AABEs-SBEs. Use additional sheets as needed.)

NAME AND ADDRESS OF SUBCONTRACTOR'S/SUPPLIER'S COMPANY	CONTRACT AMOUNT	% LEVEL OF PARTICIPATION	MBE-WBE-AABE- SBE CERTIFICATION NUMBER

Only companies certified as an MBE, WBE, AABE or SBE by the City of San Antonio or its certifying organization can be applied toward the contracting goals. All MBE-WBE-AABE-SBE subcontractors or suppliers must submit a copy of their certification certificate through the Prime Contractor. Proof of certification must be attached to this form. If a business is not certified, please call the Small Business Program Office at (210) 207-3900 for information and details on how subcontractors and suppliers may obtain certification.

## **GOOD FAITH EFFORT PLAN**

***(Page 2 of 4)***

It is understood and agreed that, if awarded a contract by the City of San Antonio, the Contractor will not make additions, deletions, or substitutions to this certified list without consent of the Director of Economic Development and Director of the appropriate contracting department (through the submittal of the Request for Approval of Change to Original Affirmed Good Faith Effort Plan).

**NOTE: If MBE-WBE-AABE-SBE contracting goals were met, skip to #9.**

2. If MBE-WBE-AABE-SBE contracting goals were not achieved in a percentage that equals or exceeds the City's goals, please give explanation.

---

---

---

3. List all MBE-WBE-AABE-SBE Listings or Directories utilized to solicit participation.

---

---

---

4. List all contractor associations and other associations solicited for MBE-WBE-AABE-SBE referrals.

---

---

---

5. Discuss all efforts aimed at utilizing MBE-WBE-AABE-SBEs.

---

---

---

6. Indicate advertisement mediums used for soliciting bids from MBE-WBE-AABE-SBEs.

---

---

---



**GOOD FAITH EFFORT PLAN**  
*(Page 3 of 4)*

7. List all MBE-WBE-AABE-SBE bids received but rejected. (Use additional sheets as needed.)

COMPANY NAME	MBE-WBE-AABE-SBE CERTIFICATION NUMBER	REASON FOR REJECTION

8. Please attach a copy of your company's MBE-WBE-AABE-SBE policy.
9. Name and phone number of person appointed to coordinate and administer the Good Faith Efforts of your company on this project.
- \_\_\_\_\_
- \_\_\_\_\_
10. This Good Faith Effort Plan is subject to the Economic Development Department's approval.

**GOOD FAITH EFFORT PLAN**  
*(Page 4 of 4)*

**GOOD FAITH EFFORT PLAN AFFIRMATION**

I HEREBY AFFIRM THAT THE INFORMATION PROVIDED IN THIS GOOD FAITH EFFORT PLAN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF. I FURTHER UNDERSTAND AND AGREE THAT, IF AWARDED THE CONTRACT, THIS DOCUMENT SHALL BE ATTACHED THERETO AND BECOME A BINDING PART OF THE CONTRACT.

\_\_\_\_\_  
SIGNATURE OF AUTHORIZED OFFICIAL

\_\_\_\_\_  
TITLE OF OFFICIAL

\_\_\_\_\_  
DATE

\_\_\_\_\_  
PHONE

\*\*\*\*\*

**FOR CITY USE**

Plan Reviewed By:\_\_\_\_\_

Recommendation:            Approval\_\_\_\_\_            Denial\_\_\_\_\_

Action Taken:                Approved\_\_\_\_\_            Denied\_\_\_\_\_

\_\_\_\_\_  
DIRECTOR OF ECONOMIC DEVELOPMENT

## **ATTACHMENT 5**

### **CITY OF SAN ANTONIO, TEXAS**

#### **INVESTMENT POLICY CERTIFICATION**

I hereby acknowledge and certify the following:

1. I am a Qualified Representative of the business organization offering to engage in an investment transaction with the City of San Antonio (the "City"). A Qualified Representative, as defined in Texas Government Code §2256.002(10), means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:
  - a. for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;
  - b. for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution; or
  - c. for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool.
2. I, as a Qualified Representative for the business organization, do hereby certify that I, the person covering this account, and the business organization, have received and reviewed a written copy of the City's Investment Policy.
3. I acknowledge that this business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and this business organization that are not authorized by the City's Investment Policy, except to the extent that this authorization is dependent on an analysis of the structure of the City's entire portfolio or requires an interpretation of subjective investment standards.
4. I affirm that transactions between this business organization and the City will, to the best of this business organization's ability, be directed by the following objectives:
  - a. preservation and safety of principal;
  - b. liquidity and marketability of the investment; and
  - c. to the extent that this business organization has been informed of, or had the opportunity to review the composition of the City's investment portfolio, it will work with City's Investment Officers toward the diversification of the investment portfolio as directed by the City's Investment Officers.

This business organization will, to the best of its ability, inform the City of risks, if any, associated with financial transactions executed between this business organization and the City. Nothing in this Certification relieves the City of the responsibility for monitoring the investments made by the City to determine that the City is in compliance with the City's Investment Policy.

---

(Broker/Dealer Firm)

---

(Signature of Qualified Representative)

---

(Name & Title)

---

(Date)

## **ATTACHMENT 6**

### **SIGNATURE PAGE**

“✓” Check box that indicates business structure of Broker/Dealer Firm Respondent

- ☐ Individual or Proprietorship
- ☐ Partnership or Joint Venture
- ☐ Corporation

The undersigned certifies that (s)he is \_\_\_\_\_ (title) of the Respondent entity named below; that (s)he is designated to sign this Proposal Form (if a Corporation then by resolution with Certified Copy of resolution attached) for and on behalf of the entity named below, and that (s)he is authorized to execute same for and on behalf of and bind said entity to the terms and conditions provided for in the Proposal as required by this RFQ, and has the requisite authority to execute an Agreement on behalf of Respondent, if awarded, and that the 11-digit Comptroller's Taxpayer Number for the entity is:

\_\_\_\_\_  
Respondent Organization Name (DBA also required if Individual or Proprietorship)

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
(If Respondent is a Joint Venture, an authorized signature from a representative of each party is required)  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Federal Tax Identification Number

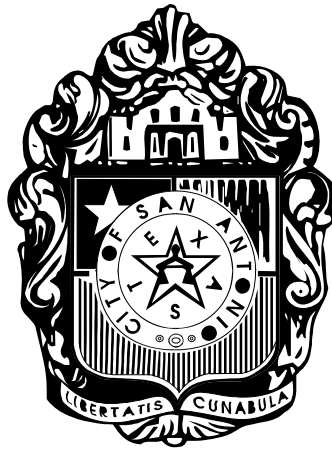
By signature above, Respondent agrees to the following:

1. Respondent will be able and willing to comply with all representations made by Respondent in Respondent's Proposal and during Proposal process.
2. Respondent has fully and truthfully submitted a Litigation Disclosure form with the understanding that failure to disclose the required information may result in disqualification of proposal from consideration.
3. Respondent agrees to fully and truthfully submit a Respondent Qualification General Questionnaire and understands that failure to fully disclose requested information may result in disqualification of proposal from consideration or termination of contract, once awarded.

**ATTACHMENT 7**

**INVESTMENT POLICY**

**CITY OF SAN ANTONIO, TEXAS**  
**Department of Finance**



**Investment Policy**

**September 30, 2009**

**CITY OF SAN ANTONIO**  
**Department of Finance**  
**Investment Policy**

**Table of Contents**

	<u>Page</u>
Introduction.....	1
Investment Committee .....	2
Scope.....	2
Investment Objectives:	
Satisfy Cash Flow Requirements .....	2
Preservation and Safety of Principal.....	3
Liquidity and Diversification.....	3
Maximize Yield .....	3
Proactive Portfolio Management .....	3
Risk Environment:	
Interest Rate Risk.....	3
Credit Risk .....	4
Liquidity Risk .....	4
Authority to Execute Investment Transactions .....	4
Prudence.....	5
Investment Maturities .....	5
Training.....	5
Ethics .....	6
Internal Controls .....	6
Monitoring Market Activity and Investments.....	6
Authorized Investments:	
Obligations of, or Guaranteed by Governmental Entities .....	7
Certificates of Deposit and Share Certificates .....	7
Repurchase Agreements.....	8
Securities Lending .....	9
Bankers' Acceptance .....	9
Commercial Paper.....	9
Mutual Funds .....	10
Guaranteed Investment Contract.....	10
Investment Pools.....	11
Broker/Dealer, Bank, and Mutual Fund Eligibility.....	13
Utilization of Approved Firms and Periodic Review.....	13
Investment Management Firms.....	13
Safekeeping .....	14
Collateralization:	
Pledged Collateral.....	14
Owned Securities .....	15
Authorized Collateral.....	15
Investment Strategy .....	15
Record Keeping and Reporting.....	18
Closing .....	18
Glossary .....	Exhibit I

# **CITY OF SAN ANTONIO, TEXAS**

## **Investment Policy**

### **INTRODUCTION**

Fiduciary responsibility for the management and safeguarding of the City of San Antonio's (the "City") monetary assets resides with the City's Department of Finance. In addition to the management of the City's investment assets, the Department also has the responsibility to manage the investment assets of various trust and agency funds. The City's investment strategy for all investments is to ensure availability of funds to meet cash flow requirements, safeguard and preserve principal, maintain liquidity, practice security diversification, minimize risk, and maximize yield, all within the context of understanding the suitability of each investment and the cash flow requirements of the City.

The Investment Policy (the "Policy") for the City encompasses a dynamic framework, which, under the direction and approval of City Council, provides the City with the flexibility and control required to execute investment transactions and manage the investment portfolio. The Policy incorporates the investment guidelines and mandates promulgated in the Texas Public Funds Investment Act (the "Act"), as amended. As prescribed by the Act, and as authorized by this Policy pursuant to City Council approval, the City's designated Investment Officers include the Director of Finance, Assistant Director of Finance – Financial Services, Tax Assessor/Collector Administrator, and the following individuals from the Division of Financial Management: Financial Management Administrator, Financial Manager, Banking Officer, Debt Officers and Investment Officers (functional titles of the designated Investment Officers may vary from City of San Antonio Pay Plan titles). Daily investment transactions and management of the City's invested funds are the responsibility of the designated Investment Officers within the Department of Finance, Division of Financial Management.

During the year, periodic review of strategic investment initiatives and management practices shall be undertaken by an Investment Committee. The Investment Committee is comprised of two representatives from the City Council, two representatives from the City Manager's Office, the Director of Finance, Assistant Director of Finance – Financial Services, Tax Assessor/Collector Administrator, Director of the Office of Management and Budget, and the following individuals from the Division of Financial Management: Financial Management Administrator, Financial Manager, Banking Officer, Debt Officers, and Investment Officers.

Investment transactions are executed through approved Broker/Dealers only, with securities delivered to the designated Custodian Bank. Investment transactions are settled on a delivery versus payment basis with the exception of mutual funds, certificates of deposit, or investment pool investments. Settlement of trades may be done on a same day or subsequent day basis as the Investment Officers deem most appropriate and advantageous to the City. In addition to the securities acquired through the use of Broker/Dealers, the City may exercise its right to utilize other investment vehicles such as mutual funds and investment pools as authorized by the Act and this Policy.

For the reader's convenience, a glossary is attached as Exhibit I.



## **INVESTMENT COMMITTEE**

The Investment Committee shall meet at least quarterly to receive a report from the Financial Management Administrator on the most recent quarter's investment activity, cash position of the City, market conditions, and proposed investment activity for the next succeeding quarter. The Investment Committee shall also review and suggest any changes or adjustments to investment practices.

In addition to the quarterly meetings, Investment Committee members may hold meetings as needed related to investment activities. Any decisions made shall be within the parameters agreed to by the Investment Committee and within the guidelines established in this Policy.

## **SCOPE**

The Policy applies to all funds invested by the City which include the General Fund; Enterprise Funds, to include the Airport System, Parking Facilities, and the Environmental Services Fund; Debt Service Funds created for general obligation indebtedness and revenue bonds; Special Revenue Funds; Capital Project Funds; Internal Service Funds; Fiduciary Funds to include Agency Funds; Expendable Trust Funds, to include the San Antonio Housing Trust Fund, and other funds that may be created.

Investments are pooled into two primary categories, operating funds and debt service funds. Pooled operating funds consist of balances from the City's various funds invested in an aggregate or pooled amount, with principal and interest income distributed to each respective fund on a pro rata basis. Similarly, pooled debt service funds consist of balances applicable to the City's debt service funds invested in an aggregate or pooled amount with principal and interest income distributed to each respective debt service fund on a pro rata basis. In addition, the City may purchase certain investments with the available balance of a specific fund for the sole benefit of such fund. The strategy of pooling investments is subject to change as deemed appropriate by the Investment Committee, and subject to the provisions of this Policy.

Strategic investment practice is focused on meeting daily and short-term cash flow requirements. Long-term investments (investments having maturities in excess of one year) are applicable to balances in construction funds, which may be matched to mature with projected construction draws and balances held in reserve funds and other such accounts. Investments are typically held to maturity, however, the sale prior to maturity and acquisition of replacement securities may be exercised if financial analysis deems such transactions beneficial to the City, consistent with the investment strategies and objectives established herein. Investment portfolio management practice includes control, flexibility, and safety of investments, and may incorporate the utilization of authorized Money Market Mutual Funds, Mutual Funds, and Investment Pools into the investment structure to enhance investment portfolio and cash management efficiencies maintaining safety of principal as its primary objective.

## **INVESTMENT OBJECTIVES**

### **Satisfy Cash Flow Requirements**

The suitability of each investment and the cash flow requirements of the City are incorporated into the daily cash flow position analysis and investments are scheduled to mature on a timely basis to meet the City's ongoing cash needs. In addition to the estimated daily routine cash needs, investments are scheduled to mature in connection with payroll dates, construction draw down schedules, debt service payment dates, and other projected cash requirement dates.

### **Preservation and Safety of Principal**

An essential investment objective is to ensure the safety of the corpus or principal amount of every investment, as well as the accrued interest thereon. The City's investment practice is to exercise diligence and prudence in the type of securities purchased and the scheduled maturities of such investments to minimize loss of principal due to credit failure or other risk.

### **Liquidity and Diversification**

The investment portfolio shall be diversified with securities that have high credit ratings and are liquid in nature. Fund balances, revenues, and expenditure trends shall be studied and monitored to facilitate investment planning in accordance with the cash flow timing, purpose, use, and strategies applicable to the City's various funds.

### **Maximize Yield**

The City will strive to maximize yield on its investments within the aforementioned safety parameters. While investments are made with scheduled maturities to coincide with estimated cash flow needs, opportunities to enhance the portfolio's yield through the sale of securities prior to maturity may be exercised if deemed practical and prudent.

### **Proactive Portfolio Management**

Proactive portfolio management involves review and analysis of the securities in the investment portfolio to take advantage of any buy and sell opportunities that may become available with changes in the market. The purpose of identifying a group of securities for possible sale and the utilization of funds received from such sale to immediately acquire and replace said securities would be to take advantage of market interest rate changes and realize additional profits from such transactions. The buy and sell methodology would involve an analysis of first calculating the possible gain to be made by selling a single or multiple securities and replacing the sold securities with the same or comparable securities.

## **RISK ENVIRONMENT**

The investment objectives described above are designed around the goal of preservation and safety of principal. Mitigation techniques are available for the specific risks inherent in securities utilized by the City. A discussion of the more common risks of investing is presented below.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Changes in the level of interest rates can influence the market value of certain securities; the severity of that impact depends on the type of security held, and the length of term to maturity. As the general level of interest rates moves up and down, a security's price changes. Volatility is a measure of a security's price fluctuations. Securities with longer terms to maturity are more volatile than securities with shorter terms. Securities with call options, or other potential changes to cash flow, are also more sensitive to changes in interest rates than simpler, more traditional structures. By diversifying across issuers and maturity dates, interest rate risk is mitigated, as fewer funds should be subject to a risk occurrence at any given time. In addition, the City generally follows a laddered approach to investing, whereby blocks of roughly the same amounts are invested at similarly increased maturity lengths. This

approach provides security that all funds will not fall due at one particularly advantageous or disadvantageous period in time, thereby spreading the interest rate risk.

### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment strategy is to purchase securities that are of the highest credit quality, based on current ratings provided by nationally recognized credit rating agencies. The majority of the City's funds are invested in U.S. Treasury securities and federal agency securities. These issuers, if guaranteed, are deemed to be without credit risk. Some, but not all, federal agency securities are guaranteed, however, they continue to carry high credit ratings. Investments in other debt securities will consist of securities rated "A" or better by at least two nationally recognized credit rating agencies. These requirements not only mitigate credit risk, but also mitigate liquidity risk, as the higher rated issues are generally the most liquid. Credit risk may also manifest in the following forms:

- (1) Concentration of Credit Risk – This risk of loss is attributed to the magnitude of investment in a single issuer. Diversification is the primary tool utilized to mitigate this risk. As a matter of policy, investments in issuers other than the U.S. Treasury or federal agency securities must have investment grade credit ratings of "A" or better from at least two nationally recognized credit rating agencies. U.S. Treasury and guaranteed federal agency securities are viewed as having the highest possible quality rating.
- (2) Custodial Credit Risk – This is the risk that, in the event of the failure of the counterparty to a transaction, the City would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Assets pledged as collateral must generally be a type of security specifically authorized to be held as a direct investment; must be held by an independent third party; and must be pledged in the name of the City. In addition, collateral securities shall have a market value of not less than 102% of the amount of deposits.

### **Liquidity Risk**

Liquidity risk is the risk that a security will not be adequately marketable, and that sale of said security would be unattainable, or attainable only at a loss. Liquidity is affected, by many factors, including the amount of an issue outstanding and the term to maturity. Diversification of types and maturities of securities held can help alleviate the liquidity risk. The size of the issue also has an impact. Normally the larger the issue and the higher the credit rating, the more liquid the security. The City maintains a relatively short weighted average maturity ("WAM") and invests in high credit securities, which keep liquidity risk low. Additionally, based on periodic cash flow forecasts, an adequate supply of operating funds are maintained in money market funds, which further helps alleviate liquidity risk.

## **AUTHORITY TO EXECUTE INVESTMENT TRANSACTIONS**

Investment transactions shall be executed only by the City's designated Investment Officers, which include the Director of Finance, Assistant Director of Finance – Financial Services, Tax Assessor/Collector Administrator, and the following individuals from the Division of Financial Management: Financial Management Administrator, Financial Manager, Banking Officer, Debt Officers, and Investment Officers. Daily investment activity and portfolio management shall be performed by the Department of Finance, Division of Financial Management.

## **PRUDENCE**

City of San Antonio investment transactions shall be executed in accordance with the prudent person rule which states: "Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of their capital as well as the probable income to be derived." In addition, investments shall be made in accordance with the Act and this Policy with the character of the investments assigned the following priority (i) preservation and safety of principal, (ii) liquidity and diversification, and (iii) maximum yield.

Investment Officers shall perform their duties in conformance with procedures and policies as set forth in this Policy. Determination as to whether an Investment Officer has exercised prudence in the execution of investment duties shall be made, in part, by taking into consideration the following:

- (1) the investment of all funds, or funds under the City's control, over which an Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the currently adopted Investment Policy of the City.

The Investment Officer, acting in accordance with written procedures and exercising due diligence consistent with the Act, shall not be held personally responsible for a specific security's market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments. Failure to act in the manner set forth in the immediately preceding sentence could result in the Investment Officer being held personally responsible in such a situation.

## **INVESTMENT MATURITIES**

Strategic portfolio investments focus on meeting short-term operational and debt service cash flow requirements during the course of a year, and long-term cash flow requirements pertaining to fund balances that are reserved for unexpected decreases in cash positions. Short-term investments to meet operational cash flow requirements are typically invested for less than one year, while balances in funds that are not anticipated to be utilized except in extraordinary circumstances may be invested with two and three year maturities, dependent in part on the yield curve and market conditions. The maximum allowable maturity of an individual investment shall be no more than five (5) years.

## **TRAINING**

In accordance with the Act, the City's designated Investment Officers shall attend at least one training session from an independent source approved by the City Council or by the Investment Committee as provided for in this policy and containing at least ten (10) hours of instruction within twelve (12) months after taking office or assuming duties. This training must include education in investment controls, investment-related risks, portfolio diversification, and compliance with the Act. Thereafter, Investment Officers shall attend an investment training session not less than once in a two-year period and receive not less than ten (10) hours of instruction relating to investment responsibilities under the Act from an independent source approved by the City Council or by the Investment Committee as provided for in this policy.

## **ETHICS**

An officer or employee of a commission created under Chapter 391 of the Local Government Code is ineligible to be designated as an Investment Officer under the Act for the City. An Investment Officer who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Government Code, to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under the Act must be filed with the Texas Ethics Commission and the City Council. For purposes of this section, an Investment Officer has a “personal business relationship” with a business organization if:

- (1) the Investment Officer owns ten percent (10%) or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- (2) funds received by the Investment Officer from the business organization exceed ten percent (10%) of the Investment Officer’s gross income for the previous year; or
- (3) the Investment Officer has acquired from the business organization during the previous year, investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

## **INTERNAL CONTROLS**

Internal control is exercised through the separation of functions and the reconciliation of investment transaction records created by different parties involved with each transaction. Investment Officers are authorized to execute investment trades with funds released by the Accounting Division thereby effecting a dual control on each transaction. Accounting Division personnel approve payment for trades, are authorized to effectuate wire transfers, and record the transactions. Written records are separately prepared and maintained by the Investment Officers and the Accounting Division. Broker/Dealer trade confirmations and custodial reports are also kept on file.

## **MONITORING MARKET ACTIVITY AND INVESTMENTS**

Market activity is monitored on a continuous basis via internet based financial news sources, as well as live news reports and on-line systems with market quotes. Broker/Dealers provide market information and various financial databases provide historical statistical information. In addition, financial periodicals are used as an additional information vehicle to broaden financial and market awareness and knowledge. End of month security prices may be obtained from various independent sources including the City’s depository bank, on-line market databases, and Broker/Dealers. This broad-based knowledge is utilized in strategic investment decision making and proactive investment portfolio management.

## **AUTHORIZED INVESTMENTS**

The Act authorizes local governments to invest in a prescribed set of investment instruments that can be utilized to promote the goals of safety of principal, liquidity and diversification, and maximize yield. All investments shall be made in compliance with the Act as amended and as further defined by this Policy (in whole or in part) and any other applicable laws. Through this Policy, the City may elect not to

participate in all of the instruments allowed authorized by the Act. Listed below are permitted investment instruments as defined by this Policy in accordance with the Act.

### **Obligations of, or Guaranteed by Governmental Entities**

Obligations of, or Guaranteed by Governmental Entities include, and are limited to, the following:

- (1) obligations, excluding letters of credit, of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies and instrumentalities;
- (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas, or the United States, or their respective agencies and instrumentalities; and
- (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized credit rating agency not less than “A” or its equivalent.

### **Certificates of Deposit and Share Certificates**

A certificate of deposit is an authorized investment if the certificate is issued by a depository institution that has its main office or a branch office in the State of Texas and is:

- (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- (2) secured by authorized obligations as provided by this policy.

All such collateral must be fully documented, executed with authorizing documentation, and held at an approved third party institution. With respect to certificates of deposit in which the City has invested, the City’s then current depository institution is an approved third party institution.

In addition to the authority to invest funds in certificates of deposit as stated above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment:

- (1) the funds are invested by the City through a depository institution that (a) has its main office or a branch office in the State of Texas; (b) is authorized to offer services through Certificates of Deposit Account Registry Service, “CDARS”; and (c) is selected by the City;
- (2) the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located including out of state. Each of the certificates of deposit will be issued for the account of the City as the beneficial owner of the certificates of deposit;
- (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; in effect the Federal Deposit Insurance Corporation (“FDIC”). Each certificate of deposit will be issued in an amount within the FDIC then current insurance coverage limit. The total amount of the City’s investment will be allocated among a number of financial institutions. The City’s

investment will thus be fully protected against the failure of any of the institutions issuing the certificates of deposit;

- (4) the depository institution selected by the City acts as custodian for the City with respect to the certificates of deposit issued for the account of the City with respect to the certificates of deposit. Under this provision, when the certificates of deposit issued by other institutions to the City mature, the payment of the principal and accrued interest will be made by those institutions through the selected depository institution in Texas; and
- (5) at the same time that the funds are deposited and the certificates of deposit are issued for the account of the City, the depository institution selected by the City receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to the amount of the funds invested by the City through the depository institution. The economic effect of investments by the City made in accordance with this procedure will be that the selected depository institution in Texas will have on deposit the amount of funds initially invested by City.
- (6) The amount of funds that may be invested by the City with any one depository institution that meets the requirements set out in (1) through (5) above may not exceed the then current CDARS program limits.

### **Repurchase Agreements**

A fully collateralized repurchase agreement is an authorized investment if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by obligations, excluding letters of credit, of the United States or its agencies and instrumentalities;
- (3) requires the securities being purchased by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with an independent third party selected and approved by the City; and
- (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.

A "repurchase agreement" is a simultaneous agreement to buy, hold for a specified time, and sell back at a future date, obligations of the United States or its agencies and instrumentalities, at a market value at the time the funds are disbursed of not less than 102% of the principal amount of the funds disbursed. A repurchase agreement includes a direct security repurchase agreement and a reverse security repurchase agreement.

Notwithstanding any other law, the term of any "reverse security repurchase agreement" may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

Money received by the City under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

### **Securities Lending**

Securities lending is an authorized investment if:

- (1) the value of securities loaned under the program is not less than 102 percent (102%) collateralized, including accrued income;
- (2) a loan made under the program allows for termination at any time;
- (3) a loan made under the program is secured by:
  - (A) pledged securities authorized by the Act, Section 2256.009; or
  - (B) cash invested in accordance with the Act and this Policy;
- (4) the terms of a loan made under the program require that the securities being held as collateral be:
  - (A) pledged to the City;
  - (B) held in the City's name; and
  - (C) deposited at the time the investment is made with the City or with a third party selected by or approved by the City;
- (5) a loan made under the program is placed through:
  - (A) a primary government securities dealer, as defined by the Federal Reserve, Title 5 Code of Federal Regulation, Section 6801.102 (f), as that regulation existed on September 1, 2003; or
  - (B) a financial institution doing business in the State of Texas; and
- (6) a written agreement to lend securities is executed under this section and has a term of one year or less.

### **Bankers' Acceptance**

A bankers' acceptance is an authorized investment if the bankers' acceptance:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
- (2) will be, in accordance with its terms, liquidated in full at maturity;
- (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than "A-1" or "P-1" or an equivalent rating by at least one nationally recognized credit rating agency.

### **Commercial Paper**

Commercial paper is an authorized investment if the commercial paper:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance; and
- (2) is rated not less than "A-1", "P-1" or an equivalent rating by at least two nationally recognized credit rating agencies, or by one national recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.



## **Mutual Funds**

A no-load money market mutual fund is an authorized investment if the mutual fund:

- (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940;
- (3) is rated “AAA” by at least one nationally recognized rating agency;
- (4) has a dollar-weighted average stated maturity of 90 days or fewer; and
- (5) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

In addition to a no-load money market mutual fund permitted as an authorized investment, a no-load mutual fund is an authorized investment if the mutual fund:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years;
- (3) is invested exclusively in obligations approved by the Act and this Policy;
- (4) is continuously rated as to investment quality by at least one nationally recognized credit rating agency of not less than “AAA” or its equivalent; and
- (5) conforms to the requirements set forth in Sections 2256.016 (b) and (c) of the Act, relating to the eligibility of investment pools to receive and invest funds of investing entities.

Mutual Fund Restrictions:

The City may not:

- (1) invest in the aggregate more than 15 percent (15%) of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in no-load mutual funds described above;
- (2) invest any portion of bond proceeds, reserves and funds held for debt service, in the authorized no-load mutual funds described above; or
- (3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one no-load money market mutual fund or no-load mutual fund described above in an amount that exceeds 10 percent (10%) of the total assets of such fund.

## **Guaranteed Investment Contract**

A guaranteed investment contract is an authorized investment for bond proceeds if the guaranteed investment contract:

- (1) has a defined termination date;
- (2) is secured by obligations described by Section 2256.009(a)(1) of the Act, excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and

- (3) is pledged to the City and deposited with the City or with a third party selected and approved by the City.

Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested in a guaranteed investment contract with a term of longer than five (5) years from the date of issuance of the bonds. To be eligible as an authorized investment:

- (1) the governing body of the City must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;
- (2) the City must receive bids from at least three (3) separate providers with no material financial interest in the bonds from which proceeds were received;
- (3) the City must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;
- (4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and
- (5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

### **Investment Pools**

The City may invest its funds and funds under its control through a constant dollar local government investment pool if the City Council, by ordinance, authorizes investment in the particular pool. The investment pool must only invest in those instruments authorized by the Act and this Policy.

To be eligible to receive funds from and invest funds on behalf of the City, an investment pool must furnish to the City through an Investment Officer or other authorized representative of the City, an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (1) the types of instruments in which the money is allowed to be invested;
- (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date of the pool;
- (3) the maximum stated maturity date of any investment security within the pool;
- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
- (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (10) the name and address of the independent auditor of the pool;

- (11) the requirements to be satisfied for the City to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the City to invest funds in and withdraw funds from the pool; and
- (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

In addition, to maintain eligibility to receive funds from and invest funds on behalf of the City, an investment pool must furnish to an Investment Officer or other authorized representative of the City the following:

- (1) investment transaction confirmations; and
- (2) a monthly report that contains, at a minimum, the following information:
  - the types and percentage breakdown of securities in which the pool is invested;
  - the current average dollar-weighted maturity, based on the stated maturity date of the pool;
  - the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
  - the book value versus the market value of the pool's portfolio, using amortized cost valuation;
  - the size of the pool;
  - the number of participants in the pool;
  - the custodian bank that is safekeeping the assets of the pool;
  - a listing of daily transaction activity relating to the City's participation in the pool;
  - the yield and expense ratio of the pool;
  - the portfolio managers of the pool; and
  - any changes or addenda to the offering circular.

To be eligible to receive funds from and invest funds on behalf of the City, a public funds investment pool created to function as a money market mutual fund must mark to market daily its portfolio, and, to the extent reasonably possible, stabilize at \$1.00 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

To be eligible to receive funds from and invest funds on behalf of the City, a public funds investment pool must have an advisory board composed:

- (1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 of the Texas Government Code and managed by a state agency; or
- (2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

To maintain eligibility to receive funds from and invest funds on behalf of the City, an investment pool must be continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized credit rating agency and have a WAM no greater than 90 days.

## **BROKER/DEALER, BANK, AND MUTUAL FUND ELIGIBILITY**

Broker/Dealer, Bank, and Mutual Fund firms interested in providing investment services to the City will be required to submit a Statement of Qualifications in response to the City's Request for Qualifications ("RFQ") to provide Broker/Dealer Services. The RFQ may include but not be limited to, inquiries such as the name, address and brief history of the firm, identification of the individuals who will be working with the City, capital structure of the firm, description of major changes that have recently occurred in the firm, disclosure of investigations for alleged improper, fraudulent, disreputable or unfair investment activities, financial reports, and disclosure of any filing or claim the firm may have had or currently has against the City of San Antonio. Firms shall also be evaluated based on fixed income experience, volume, capitalization, integrity, local presence, Small Business Economic Development Advocacy goals, professionalism, product knowledge, and history of alleged or convicted securities violations and/or settlements. In addition to the aforementioned inquiries, Mutual Fund firms will be required to provide a prospectus for each of the funds in which the City may invest. The Statement of Qualifications submitted will be periodically reviewed by the City's Investment Committee which will assess whether a Broker/Dealer, Bank, or Mutual Fund firm is approved to provide investment services to the City.

In addition, all prospective firms must execute the City's Broker/Dealer, Bank, Mutual Fund, or Investment Pool Certification, as well as complete and sign a Discretionary Contracts Disclosure Form required by the City's Ethics Code. The Broker/Dealer, Bank, Mutual Fund, or Investment Pool Certification will serve as the written instrument whereby such firm acknowledges that, among other things: (1) such firm has received and reviewed the City's Investment Policy; and (2) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the firm that are not authorized by the City's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards. Nothing in the Act relieves the City of the responsibility for monitoring the investments made by the City to determine that they are in compliance with the City's Investment Policy.

It is the policy of the City of San Antonio to involve Small, Minority, Women and African-American Owned Business Enterprises (S/M/W/AABE) to the greatest extent feasible in the City's discretionary contracts. The intent and purpose of the policy is to ensure that S/M/W/AABE firms have the opportunity to compete for City contracts without discrimination on the basis of race, color, religion, national origin, age, sex or handicap.

### **Utilization of Approved Firms and Periodic Review**

The City will maintain a list of approved Broker/Dealers based on the aforementioned criteria established in the City's RFQ. Investment Officers will administer investments with the goal of providing and distributing opportunities to the various eligible firms. In that regard, whenever possible, the City will obtain at least three quotes on open-market investment purchases, and such quotes will be obtained from eligible firms on a rotating basis. The Investment Committee shall review, revise, and adopt, at least once per year, the list of approved Broker/Dealers, Banks, and Mutual Fund firms with whom the City does business. A firm may be removed from eligible status, without notice, at the City's sole discretion.

## **INVESTMENT MANAGEMENT FIRMS**

The City may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) to provide for the investment and management of its public funds or other funds under its control. The City does not currently utilize an investment management firm for the investment or management of its funds. However, the City may utilize an investment management firm for the investment and management of certain funds if deemed beneficial by the Investment

Committee and would be subject to the approval of City Council. A contract made with an investment management firm may not be for a term longer than two years and a renewal or extension of the contract must be approved by the City Council through ordinance.

If the City has contracted with an investment management firm to invest its funds, the investment officer of the investment management firm is considered to be an Investment Officer of the City. Authority granted to a fiduciary to invest City funds is effective until rescinded by the City or until the expiration of the contract with the investment management firm. In the administration of the duties of an Investment Officer, the fiduciary designated as Investment Officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the City Council will retain ultimate responsibility as fiduciaries of the assets of the City.

A written copy of the City's Investment Policy shall be presented to an investment management firm that the City contracts with to invest or manage the City's investment portfolio. A qualified representative of the investment management firm shall execute a written instrument in a form acceptable to the City that demonstrates that the firm has:

- (1) received and reviewed the Investment Policy of the City; and
- (2) acknowledged that the investment management firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

## **SAFEKEEPING**

Securities owned by the City shall be held in safekeeping in accordance with the Texas Public Funds Collateral Act and the Act. Securities shall be cleared to the City custodian only on a delivery versus payment basis. In a securities lending arrangement, the securities may be further delivered "free" to the securities lending custodian, if appropriate.

Custodial services shall be arranged through the City's then current depository bank and shall provide for the safekeeping of City owned securities. Clearing for all securities transactions, except mutual funds, certificates of deposit, and investment pools, shall occur on the settlement date on a delivery versus payment basis.

## **COLLATERALIZATION**

The City's collateral requirements are established in accordance with the Texas Public Funds Collateral Act and the Act.

### **Pledged Collateral**

The City's time and demand deposits in any depository shall be secured by a combination of Federal Deposit Insurance Corporation Insurance coverage or other Federal Insurance and market value of pledged securities. Collateral securities shall have a margined market value of not less than 102 percent (102%) of the amount of deposits, must be pledged to the City, and must be placed in the custody of an independent third-party institution approved by the City. The pledging institution shall be liable for monitoring and maintaining the margin at all times. The custodian shall provide original safekeeping

receipts/evidences. The custodian of the securities shall prepare and send directly to the City a listing of all collateral on at least a monthly basis.

In accordance with the Texas Public Funds Collateral Act (Chapter 2257, Subchapter F), the depository pledging collateral may provide state-wide collateral pooling. The City is authorized to utilize a pooling program but before entering into the agreement the Investment Officers shall fully analyze the cost and risk parameters to the City under such a program. Approval by the Investment Committee will be required before use of the program.

### **Owned Collateral**

Securities (collateral) owned by the City under a repurchase agreement shall be held in custody by an independent third party custodian approved by the City. Collateral shall equal 102% of the total repurchase agreement principal plus accrued interest at all times. The counterparty shall be responsible for daily mark-to-market and shall provide reports as required by the City. The custodian shall provide reports listing the collateral and its market value as required by the City.

### **Authorized Collateral**

Authorized collateral includes only:

- (1) obligations of the U.S. Government, its agencies and instrumentalities, including mortgage backed securities which pass the bank test and excluding letters of credit; and
- (2) obligations of any state, city, county, school district or authority of any state rated “A” or better by two nationally recognized rating agencies.

## **INVESTMENT STRATEGY**

The City administers funds which are derived from a variety of sources, and which are utilized for various purposes. Short-term investments, which are investments with maturities of one year or less, make up the majority amount of the investment portfolio and are utilized to meet operational, debt service and capital project funding needs. Long-term investments are appropriate for balances that are not anticipated to be drawn on and are maintained in a reserve position to preserve the financial integrity of the City’s financial resources and shall be utilized if unexpected cash draws are required. The maximum WAM applicable to all City funds will be no more than three (3) years.

Investments may be pooled or invested for the benefit of one or more funds. If pooled, principal and interest income is distributed to each respective fund on a pro rata basis. Whether investments are pooled or invested separately is decided by the Investment Committee, based upon which method is most beneficial to the City and on the investment strategies established herein. For all City investments, daily and other periodic cash flow analysis shall be performed to facilitate the investing process.

The City pools all following fiscal funds into one portfolio (pooled funds group) recognizing the parameters and needs of each unique fund. The WAM for the overall pool has a maximum of three years. City’s fund groups and their general investing strategies based on their various specific purposes are as follows:

**General Fund** - Investments pertaining to the General Fund are structured primarily to meet the various operating expenses of the City including payroll and other costs of daily operations. Accordingly, these instruments are structured to be safe, liquid, and short-term in nature, with maturities generally no greater than one year. In addition, investments pertaining to the General Fund will consist of a diversified group of approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should unexpected liquidity needs arise. Available funds deemed not

to be required for short-term operational needs may be invested using a ladder structure between one and five years.

**Enterprise Funds** - Investments pertaining to the Enterprise Funds are structured to meet the various operating, debt service, and capital project obligations related to the City's Airport System, Parking Facilities, Environmental Services Fund, and the creation of any other future enterprise funds. Accordingly, liquidity and maturity terms of investments pertaining to the Enterprise Funds are based on projections and information related to their various expense outlooks and requirements. Investments pertaining to the Enterprise Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary.

***Airport System Funds*** - Available balances in the Airport System Funds exclusive of the Construction funds will be ladder over the next five years. The available balances in the Airport Construction funds will be invested to match maturities with draw requirements as provided by the Department of Aviation.

***Parking System Funds*** - Available balances in the Parking System Funds will be invested to the end of the current fiscal year and revenue receipts will be invested to cover short-term operational needs.

***Environmental Services Fund*** - Available balances in the Environmental Services Fund will be invested to the end of the current fiscal year and revenue receipts will be invested to cover short-term operational needs.

**Debt Service Funds** - Investments pertaining to the Debt Service Funds are structured to mature in conjunction with City debt requirements, and to ensure compliance with any pertinent covenants and legal requirements contained in related bond ordinances. In addition, investments pertaining to the Debt Service Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary. Due to definitive debt service schedules, the nature of these funds allows for precise forecasting of required cash flows.

**Special Revenue Funds** - Investments pertaining to the Special Revenue Funds are structured to meet the various specific and restricted expenditure purposes. Generally, the Special Revenue Funds involve frequent activity and require related investment instruments to be liquid and short-term in nature, with maturities generally no greater than one year. In addition, investments pertaining to the Special Revenue Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should unexpected liquidity needs arise.

***HUD 108 Loan Repayment Program (1998)*** - HUD 108 Loan Repayment Program Funds are invested in direct obligations of the U.S. Treasury, in order to cover interest and principal expenses on the semi-annual debt service requirements.

***HUD 108 Guaranteed Loan Program (2006)*** - HUD 108 Guaranteed Loan Program Funds are invested in liquid, short-term direct obligations of the U.S. Treasury in order to meet monthly draw requirements.

***HUD 108 Guaranteed Loan Repayment Program (2006)*** - HUD 108 Guaranteed Loan Repayment Program Funds are invested in direct obligations of the U.S. Treasury, in order to cover interest and principal expenditures on the semi-annual debt service requirements of the HUD 108 Guaranteed Loan Program.

***Special Public Improvement District Fund*** - Any available balance in this fund will be invested in liquid securities to cover expenditures as they arise.

**Capital Projects Funds** - Investments pertaining to the Capital Projects Funds are structured to meet the City's various capital projects obligations. Accordingly, maturity terms of investments pertaining to Capital Project Funds are based on projections and information related to capital project expenditures, with maturity terms timed to meet draw schedule requirements, and not to exceed the expected completion date of the related capital project. Investments pertaining to the Capital Projects Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary.

**Internal Service Funds** - Investments pertaining to the Internal Service Funds are structured to satisfy the expenditures incurred in providing goods or services between City departments. The Internal Service Funds involve various activity patterns, and require related investment instruments to include various maturity horizons. In addition, investments pertaining to the Internal Service Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary.

**Fiduciary Funds** - Investments pertaining to the Fiduciary Funds are structured by the City to satisfy various maturity requirements, based on their specific intended purposes. Fiduciary Funds may involve frequent or infrequent activity, thereby resulting in varying liquidity and maturity requirements. Investments pertaining to the Fiduciary Funds will consist of a diversified group of safe and approved instruments intended to maximize yield, and to possess adequate marketability so as not to result in materially adverse impacts should liquidation become necessary.

***Agency Funds*** - Available balances in the Agency Funds will be invested in securities with maturities within two years. Any revenue receipts will be invested in short-term instruments to the end of the current fiscal year.

**Permanent Funds** - Available balances in the Expendable Trust Funds will be invested in securities with maturities within two years. Any revenue receipts will be invested in short-term instruments to the end of the current fiscal year.

***San Antonio Housing Trust Fund*** - The available balance in this fund will be invested in accordance with draw requirements provided by the San Antonio Housing Trust.

## **RECORD KEEPING AND REPORTING**

Not less than quarterly, the Investment Officers shall prepare and submit to the Investment Committee, City Council and the City Manager, a written report of investment transactions of all funds covered by this Policy and the Act, for the preceding reporting period within a reasonable time after the end of the period. The report must:

- (1) describe in detail the investment position of the City on the date of the report;
- (2) be prepared and signed jointly by each Investment Officer;
- (3) contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, ending market value for the period, and fully accrued interest for the reporting period;



- (4) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- (5) state the maturity date of each separately invested asset that has a maturity date;
- (6) state the account or fund or pooled group fund of the City for which each individual investment was acquired; and
- (7) state the compliance of the investment portfolio of the City as it relates to the investment strategy expressed in the City's Investment Policy and relevant provisions of the Act.

Quarterly reports shall be formally reviewed at least annually by the City's independent auditors, and the result of the review shall be reported to the City Council.

## **CLOSING**

This policy has been developed by the City's Department of Finance, reviewed by the City Attorney's Office, and approved by the City Manager. The Investment Policy is formally adopted by the City Council through Ordinance. The City's Investment Officers will review this policy periodically in accordance with the Act, to evaluate its effectiveness in meeting the City's public funds investment objectives as stated herein, and in the course of their review revise and update the list of qualified Broker/Dealers, Banks, Investment Pools, and Mutual Funds with whom the City executes investment transactions.

City Council shall review the Investment Policy and investment strategies annually and shall approve and adopt an ordinance, which states that the City Council has reviewed the Investment Policy and investment strategies. Such ordinance so adopted shall record any changes made to either the Investment Policy or Investment Strategies.

## **Exhibit I**

### **CITY OF SAN ANTONIO Investment Policy Glossary**

#### **DEFINITIONS**

The following terms as used in this Policy and in the City's Investment Portfolio practice shall have the meanings as ascribed below. All definitions provided may not be utilized in this Policy or Investment Reports but are included for informational purposes.

#### **Arbitrage/Rebate Regulations**

Arbitrage may arise when tax-exempt municipal bond proceeds are invested at higher yields than the yields on the related bonds. In such cases, interest earnings on the arbitrage bonds may be subject to Internal Revenue Service arbitrage/rebate provisions. The City may from time to time incur arbitrage/rebate liability under these provisions. The City's Finance Department will be responsible for appropriate tracking and maintenance of records to facilitate compliance with requirements of the arbitrage/rebate provisions.

#### **Accrued Interest**

Accrued Interest represents the interest on fixed rate securities calculated for the period commencing with the last interest payment date to the settlement date.

#### **Agency Discount Notes**

Agency Discount Notes are debt instruments issued by agencies of the U. S. Government with stated maturities not to exceed one (1) year. Agency Discount Notes are priced at a discount rate based on current market yields. They are not direct obligations of the U.S. Government but are secured by financial arrangements established by each of the applicable issuing agencies.

#### **Airport Construction Fund**

The Airport Construction Fund is utilized to make payment on Airport capital improvement construction costs as presented for payment.

#### **Average Life of Portfolio**

The Average Life of the Portfolio is the weighted average period of time required to mature all investments in the portfolio.

#### **Bankers' Acceptance ("BA")**

A Bankers' Acceptance is a negotiable debt instrument primarily utilized to facilitate import/export operations. The note is created by a bank at an agreed upon rate and a stated maturity of less than one (1) year. The Bankers' Acceptance is secured by the creditworthiness of the bank.

#### **Bond Equivalent Yield**

The Bond Equivalent Yield is that rate of return on a security sold on a discount basis that assumes actual days to maturity and a 365 day year.

**Book Value**

Book Value is the original acquisition cost of an investment plus or minus the amortization or accretion of the premium or discount.

**Callable Security**

A Callable Security has an embedded call feature which allows the issuer to “call” the bond at a specified time and price. A call allows the issuer to refinance at a lower interest rate in the future. Callable Securities are often used by municipal issuers.

**Certificates of Deposit (“CD”)**

Certificates of Deposit are debt instruments issued by commercial banks and savings and loan associations which have a stated interest rate and a maturity not less than 7 days. The Certificate of Deposit is insured by Federal Deposit Insurance Corporation (“FDIC”) and secured by collateral of permitted investments as defined in the Act deposited with the custodian bank for the amount of investment in excess of the FDIC insured amount.

**Collateralized Mortgage Obligations (“CMO’s”)**

Collateralized Mortgage Obligations are bonds secured by a pool of mortgages in which the principal cash flows of the pool are separated into two or more series of bonds or tranches that represent short, medium, and long-term investments.

**Collateral Pools**

As an alternative to individually pledged securities for each public entity, an amendment to the Texas Public Funds Collateral Act in 2009 authorized any bank to create one collateral pool with a 102% margin to be pledged to its public clients in Texas. All bank clients share pro rata in the value of securities pledged. Collateral is not pledged to individual public entities but is held by an independent custodian. The entity must sign a security agreement. The State Comptroller manages and directs the program. Risk is primarily focused on (1) accurate recognition of public fund balances, (2) monitoring of security prices, and (3) types of securities pledged.

**Commercial Paper (“CP”)**

Obligations issued by banks, corporations, and other financial institutions at interest rates and maturities designed to accommodate the investor’s portfolio. Commercial Paper is typically discounted at market yield but may also be interest bearing. Commercial Paper obligations have scheduled maturities that do not exceed 270 days. The security for the Commercial Paper is the creditworthiness of the issuing institution.

**Convention Center Expansion Construction Fund**

The Convention Center Expansion Construction Fund is utilized to make payment on Convention Center capital improvement construction costs as presented for payment.

**Convention Center Expansion Debt Service Fund**

The Convention Center Expansion Debt Service Fund is utilized to account for revenues deposited into the fund to pay principal and interest on the outstanding bonds.

**Convention Center Expansion Debt Service Reserve Fund**

The Convention Center Expansion Debt Service Reserve Fund was created with the issuance of the Series 1996 Convention Center Bonds, and is pledged to the payment of debt service.

**Cost**

Cost is the price of a security based on market yield exclusive of accrued interest.

**Coupon**

Coupon represents a stated fixed rate of interest payable at periodic installments, typically every six months.

**CUSIP (Committee on Uniformed Securities Investment Procedures)**

CUSIP is the standard alphanumeric system used throughout the financial community for identification of security issues.

**Discount**

Discount represents the difference between the cost of a security priced at less than par or face value and the par or face value of the security and occurs when the yield is greater than the stated rate.

**Discount Rate**

Discount Rate is used to determine the price of a discount note given market yield.

**Federal Agricultural Mortgage Corporation (“FRMC” - “Farmer Mac”)**

Farm Credit System banks, commercial banks, thrifts, insurance companies, and other qualified originators of agricultural real estate loans sell their loans to certified loan poolers. These pooled loans are securitized into notes and bonds with fixed interest rates and stated maturities and discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are not direct obligations of the U.S. Government. They are secured by a cash reserve and a \$1.5 billion line of credit to the U.S. Treasury. The Federal Agricultural Mortgage Corporation facilitates the development of a secondary market for farm mortgage loans.

**Federal Farm Credit Bank (“FFCB”)**

The Federal Farm Credit Bank issues notes and bonds with fixed interest rates and stated maturities. It also issues discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are not direct obligations of the U.S. Government. Notes, discount notes, and bonds are secured by joint and several obligations of the banks of the Farm Credit System. They are secured by collateral consisting of notes or other obligations of borrowers, obligations of the U.S. Government or any agency thereof, other readily marketable securities approved by the Farm Credit Administration, or cash, in an aggregate value equal to the bonds outstanding. The Federal Farm Credit Bank funds are utilized to provide agricultural loans to farmers and to agricultural associations within the system.

**Federal Home Loan Bank (“FHLB”)**

The Federal Home Loan Bank issues notes and bonds with fixed interest rates and stated maturities. It also issues discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are backed by collateral of guaranteed mortgages, cash, government securities, or secured advances to savings and loan associations. They are not direct obligations of the U.S. Government though a credit line with the U.S. Treasury is in place. The Federal Home Loan Bank funds are utilized to provide money to thrift institutions that in turn originate home loan mortgages.

**Federal Home Loan Mortgage Corporation (“FHLMC” - “Freddie Mac”)**

The Federal Home Loan Mortgage Corporation issues notes and bonds with fixed interest rates and stated maturities. It also issues discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are unsecured general obligations of the Federal Home Loan Mortgage Corporation and are not direct obligations of the U.S. Government. The Federal Home Loan Mortgage Corporation funds are utilized to purchase mortgages from individual lenders for sale to the secondary market. The agency was placed under U.S. Government conservatorship in 2008 and will extend full faith and credit of the U.S. Government through 2013.

**Federal National Mortgage Association (“FNMA” - “Fannie Mae”)**

The Federal National Mortgage Association issues notes and bonds with fixed interest rates and stated maturities. It also issues discount notes that mature within one (1) year at a price based on current market yield and pays the par or face value at maturity. The securities are unsecured general obligations of the Federal National Mortgage Association and are not direct obligations of the U.S. Government. The Federal National Mortgage Association funds are utilized to purchase mortgages from individual lenders for sale to the secondary market. The agency was placed under U.S. Government conservatorship in 2008 and will extend full faith and credit of the U.S. Government through 2013.

**HUD 108 Loan Repayment Funds**

On June 8, 1998, the City entered into a contract for loan guarantee assistance with the U.S. Secretary of Housing and Urban Development (“HUD”). Under the terms of the agreement, the City borrows funds from HUD and in turn loans them to the Greater Kelly Development Corporation for the purpose of capital improvements for Kelly Air Force Base. The HUD 108 Loan Repayment Funds are used for debt service on the loans from HUD.

**HUD 108 Guaranteed Loan Funds**

On June 12, 2006, the City entered into a contract for loan guarantee assistance with HUD for City Capital Improvement Program Projects.

**HUD 108 Guaranteed Loan Repayment Funds**

On June 12, 2006, the City entered into a contract for loan guarantee assistance with HUD for City Capital Improvement Program Projects. The HUD 108 Guaranteed Loan Repayment Funds are used to pay debt service on the loans from the HUD 108 Guaranteed Loan

**Investment Pool**

An Investment Pool is an entity created under the Interlocal Cooperation Act to allow public funds to invest jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are preservation and safety of principal, liquidity and yield. Investment pools can be either constant dollar or fluctuating net asset value type vehicles but are generally directed by the Act.

**Market Value**

Market Value is the current face or par value of an investment multiplied by the selling price of the security as quoted by a recognized market-pricing source on the valuation date.

**Maturity Date**

Maturity Date is the date in which the principal or stated value of a debt security becomes due and payable.

**Money Market Mutual Funds**

A Money Market Mutual Fund is an investment vehicle authorized under the Act, which pools money contributed from many investors and allows the fund to act as a large single investor. The Act requires that such fund be no-load (no front or back end charges), be regulated by the Securities and Exchange Commission, have a dollar weighted average stated maturity of 90 days or fewer, and include in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

**Mutual Fund**

A Fixed Income Mutual Fund is an investment vehicle authorized under the Act which pools money contributed from many investors and allows the fund to act as a large single investor. The Act requires that such fund be a no-load mutual fund, be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, be invested exclusively in permitted investments as defined in the Act and be continuously rated by at least one nationally recognized credit rating agency of not less than “AAA” or its equivalent.

**Par**

Par price is 100. For example, a security with a face of \$1,000, offered at par, can be purchased for \$1,000.

**Par/Face Value**

Par Value (Face value) is the value assigned a security at 100% of its principal or principal plus interest paid at maturity.

**Pooled Fund Groups**

Pooled Operating Funds is a defined term in the Act representing internally created portfolios which may reflect different types of funds. Reporting is done on pooled fund groups.

**Pooled Operating Funds**

Pooled Operating Funds consist of balances from the City's various funds, exclusive of the debt service funds, invested in an aggregate or pooled amount with principal and interest income distributed to each respective fund on a pro rata basis.

**Pooled Debt Service Funds**

Pooled Debt Service Funds consist of balances from the City's Debt Service Funds invested in an aggregate or pooled amount with principal and interest income distributed to each respective fund on a pro rata basis.

**Premium**

Premium represents the difference between the cost of a security priced at greater than par or face value and the par or face value of the security and occurs when the yield is less than the stated rate.

**Price**

Price is the dollar value of a security based on a computation of market yield versus stated interest rate.

**Repurchase Agreement ("Repo")**

A Repurchase Agreement is a debt instrument acquired by an investor with a stated yield and maturity date and a promise by the seller of the debt instrument to repurchase all or a portion of the Repo plus interest upon demand. The Repurchase Agreement is secured with collateral consisting of securities listed as permitted investments as defined in the Act and delivered to a custodial bank.

**Reverse Repurchase Agreement**

The purchase of securities with the agreement to sell them at a higher price at a specific future date.

**San Antonio Housing Trust Fund**

The San Antonio Housing Trust Fund is utilized to account for programs administered by the San Antonio Housing Trust Foundation.

**Securities Lending**

An investment vehicle where a qualified investor lends securities from their portfolio to another qualified investor (through a lender) for a fee or percent of value to earn enhanced returns on the lent securities. The loan is collateralized by cash or securities which are returned at the loan's expiration date or upon request by the City.

**Settlement Date**

Settlement Date is the date in which the security is delivered and payment for the security is made.

**Tennessee Valley Authority (“TVA”)**

The TVA issues notes and bonds with fixed interest rates and stated maturities. The securities are backed by a first charge upon net power proceeds (net income before interest and non-cash expenses including depreciation). They are not direct obligations of the U.S. Government. The TVA was established to develop the resources of the Tennessee Valley region in order to strengthen the regional and national economy and the national defense.

**Texas Public Funds Collateral Act**

The Texas Public Funds Collateral Act sets the standards for collateralization of public funds in Texas.

**Texas Public Funds Investment Act (The Act)**

The Texas Public Funds Investment Act, as amended, provides guidelines for investment practices and lists authorized investments for Texas state agencies and local governments.

**United States Treasury Bills**

United States Treasury Bills are direct obligations of the United States of America. Treasury Bills are secured by the full faith and credit of the U.S. Government, are sold at a discount based on market yield, pay the par or face value at maturity, and are scheduled to mature within one (1) year.

**United States Treasury Bonds**

United States Treasury Bonds are direct obligations of the United States of America. Treasury Bonds are secured by the full faith and credit of the U.S. Government, have fixed interest rates, pay interest semiannually and are scheduled to mature within 10 years and 1 day to 30 years.

**United States Treasury Notes**

United States Treasury Notes are direct obligations of the United States of America. Treasury Notes are secured by the full faith and credit of the U.S. Government, have fixed interest rates, pay interest semiannually and are scheduled to mature from 2 to 10 years.

**United States Treasury STRIPS**

United States Treasury STRIPS (Separate Trading of Registered Interest and Principal Securities) are direct obligations of the United States of America. Treasury STRIPS are secured by the full faith and credit of the U.S. Government. Treasury STRIPS are zero coupon securities derived from selected U.S. Treasury Bonds and Notes that are separated on the books of the Federal Reserve Bank into their component parts of principal and interest and sold separately at a price that is equal to the present value computed at a present value discount based on market yield. Interest compounds semiannually and is paid at maturity along with the principal.